ANNUAL ACCOUNTABILITY REPORT

for the fiscal year
ending March 31, 2015

Nova Scotia
Farm Loan Board

Accountability Statement

We have the honour of presenting the 83rd Annual Report of the Nova Scotia Farm Loan Board covering the fiscal year ending March 31, 2015.

This report incorporates accountability reporting of the Nova Scotia Farm Loan Board for the year ended March 31, 2015, and is prepared pursuant to Section 12 of the *Agriculture and Rural Credit Act*, 1989, as well as the *Provincial Finance Act* and government policy and guidelines. These authorities require the reporting of outcomes against the Board's business plan information for the fiscal year 2014-2015. The reporting of Board outcomes necessarily includes estimates, judgements and opinions by Board management.

We acknowledge that this accountability report is the responsibility of management and the Nova Scotia Farm Loan Board. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Board's business plans for the year.

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Honourable Keith Colwell
Minister, Department of Agriculture

_____

Arnold Park
Chair of Board of Directors,
Farm Loan Board

_____

Cheryl Burgess
Chief Executive Officer,
Farm Loan Board

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Board Directors and staff as at March 31, 2015:

Board Directors

Chair	Arnold Park
Vice-chair	vacant
Director	Greg Sheffer
Director	Lee Thompson
Director	Jim MacAfee

Principal Officers & staff as at March 31, 2015:

Chief Executive Officer	Cheryl Burgess, MHSA
Solicitor to Board	Sean Rooney, Department of Justice
Auditor	PricewaterhouseCoopers LLP

Truro Office

Manager, Finance	Philip Green, CMA, MPA
Credit Manager	Robb MacMillan, P.Ag., M.Agr.
Risk Manager	Greg Cox, MSc, MBA
Senior Credit Officer	John Murray, P.Ag.
Loan Officer	Jim Neary, P.Ag., M.Ed
Loan Officer	Paul Arnfast, P.Ag.
Administrative Assistant	Vickie Birch
Loan Assistant	Kimberley Bezubiak
Paralegal & Client Service Support	Jody Graham
Financial Analyst	Susan Archibald
Financial Services Officer	Robbie Rushton
Accounting Clerk	Debbie Delaney
Reception	Norma MacKay

Kentville Office

Senior Loan Officer	Pam Fraser, P.Ag., BBA
Loan Officer	Andrew Kellock, BA, MSc.
Loan Assistant	Wanda Lenihan

Message from the Chief Executive Officer

It is an honour to work in such a vibrant and dynamic industry and to represent the Nova Scotia Farm Loan Board as its Chief Executive Officer for the last 5 years.

Agriculture Matters

The many advancements in technology and the export markets have shaped agriculture into an exciting and vibrant industry where family farms are doing well. Today the agriculture and agri- food system contribute over $135 billion to the Canadian economy and $589 million to the Nova Scotia economy every year

Producers have opportunities to expand their operations and venture into new markets, both within Nova Scotia, Canada and globally. These opportunities are changing attitudes about agriculture. Together with the Nova Scotia Farm Loan Board we can capture the optimism and pride we all have in agriculture so that we can continue to build the talent and consumer confidence we need to grow our industry today and in the future.

We care about our clients

We serve the best industry and the best clients, who are committed to the industry through thick and thin. I am proud that the Farm Loan Board makes a difference in the lives of over 500 clients. On a daily basis we hear from our clients who tell us they wouldn't be as successful, or in some cases, in business at all without the support of the Nova Scotia Farm Loan Board. To know that many of our clients are doing well is a great feeling.

We manage risk responsibly

The Farm Loan Board supports the growth of the agriculture industry through financing and services that meet the evolving needs of customers - this is part of our public policy role as a Provincial Crown Agency. One of the ways we do this is by managing risk in a sustainable manner. Enhancing our risk management practices was a key area of focus this year. Our reputation and ability to service the agri-food and agriculture system depend on our knowledge and demonstrated prudence as a lender.

Our people are our strength

I am privileged to have worked with so many great people in such an exciting industry. With the support of our Board of Directors and the management team, our employees are the reason for our success - they are experts in agriculture and care about their client's successes. I believe that the Farm Loan Board will play an important role in the success of our clients because with the Farm Loan Board as a lender, producers benefit, agriculture benefits, rural Nova Scotia benefits and so do all Nova Scotians.

Cheryl Burgess
Chief Executive Officer

Board Operation Overview

Direct Loans

During its 83rd year of operations the Board met on ten occasions. One hundred and forty-seven new and refinanced loan requests were approved during the 2014-2015 fiscal year. A total of 875 active loans (Farm and Timber) were in effect at March 31, 2015.

Interest rates on loans at year-end were:

Amortization period: Effective dates	1 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years	21 - 25 years	26 - 30 years
Full Term	2.85	3.40	4.00	4.45	4.80	5.05
10yr term		3.40	3.80	4.20	4.25	4.25
5yr term	2.85	3.10	3.15	3.20	3.25	3.25
3yr term	2.65	2.65	2.85	2.85	2.85	2.85

Timber Loans

There were two Timber Loan Board loans on March 31, 2015 included as $84,000 of unimpaired loans.

Farm Loan Board Staff are responsible for administrative detail with respect to receiving applications, preparing documents, disbursing loans and maintaining loan records. Personnel of the Department of Natural Resources carry out loan appraisals, prepare reports and provide recommendations on timber loan requests. In addition, the Department of Natural Resources supervises requests to cut forest products from land held as security for loans and establishes stumpage rates for material removed.

Land Purchase and Lease Programs

These programs were initiated during the nineteen seventies to assist industry by purchasing land for lease back to farmers. The Nova Scotia Farm Loan Board administers the leasing of these properties. In total, nine properties remain under lease, with a total outstanding principal at year-end of $250,000.

FarmNEXT Programs

Sixteen applicants were approved under this program for the 2014-2015 year. Program expenditures during the 2014-2015 year were $400,000.

Results (Progress and Accomplishments)

Priority: **Lending**

- Provide up to $35 million of new loan capital to the agricultural and timber industries in the 2014-2015 fiscal year.

Result: 147 loan applications were approved during the year with total funds advanced of $25.5 million. Principal repayments were $23.1 million with an additional $0.9 million of principal written off. Interest rates have continued to be extremely low. Loan advances were only somewhat below the maximum $35 million authorized due to reduced demand. Long term lending needs appear to have been met. Clients have shown a preference for short-term lending arrangements.

- **Credit Counselling and Risk Management**

Result: The Risk Management position provides an additional level of assessment on loans considered. Loan officers met with clients to discuss lending needs and provide other financial counselling, attended information sessions and presented information to meetings of interest to the agricultural community.

- **Support for New Farmers**

Result: Loan officers met with clients to discuss lending needs and provide other financial counselling, attended information sessions and presented information to meetings of interest to the agricultural community.

Actual/Budget Comparison - Loan Operating

Description	2014-2015 Actual ($ 000)	2014-2015 Budget ($ 000)	Change ($ 000)
Interest	7,303	7,800	(497)
Fee revenue and other income*	258	375	(117)
Life Insurance program net revenue*	22	20	2
Total revenue	7,583	8,195	(612)
Interest	5,385	5,800	(415)
Operating expenses*	2,263	1,854	409
Total expenses	7,648	7,654	(6)
Income (Deficit) before govt. contributions	(65)	541	(606)
Government contributions	65	(541)	606
Net Income	0	0	0

See Financial Statements for complete financial information and notes.

Items marked * are budgeted as part of the Department of Agriculture estimates. Items not marked are not identified in approved estimates at this level of detail but are included in the Board's annual business plan.

Significant variations from Budget:

- Interest Revenue and Expense: The average cost of funds borrowed and average loan interest rate have declined throughout the year as a result of continued low interest rates and refinancing of existing loans.
- Fee revenue has declined as the result of fewer early loan payouts.

Actual/Budget Comparison - Capital Funds

Description	2014-2015 Actual ($ 000)	2014-2015 Budget ($ 000)	Change ($ 000)
Opening principal	179,354	177,721	1,633
Funds advanced	25,518	35,000	(9,482)
Principal repayments	(23,057)	(23,000)	(57)
Written off	(939)	(3,000)	2,061
Advanced principal at year-end	180,876	186,721	(5,845)
Allowance for impairment	(9,914)	(6,480)	(3,434)
Net principal at year-end	170,962	180,241	(9,279)

Significant variations from Budget:

- Opening principal: Budget Projections are final before the year in progress is complete and have been subject to adjustment.
- Some accounts anticipated for write-off during the year were not finalized and will be carried forward for action in 2015-2016.
- Advances approved in budget are maximum authority at the high end of the expected range. Actual advances vary depending on client requirements and are generally less than the maximum provided for.
- Allowances for impairment remain higher than budget because fewer accounts were written off during the year than anticipated.

Actual/Budget Comparison - Grant Programs

Description	2014-2015 Actual ($ 000)	2014-2015 Budget ($ 000)	Change ($ 000)
FarmNEXT Grants Disbursed	400	574	(174)

Significant variations from Budget:

- Grants are available to beginning farmers who meet eligibility criteria. Amounts disbursed depend on applications received.

Nova Scotia Farm Loan Board

Financial Statements
March 31, 2015

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board of Directors. The Board of Directors reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditor, PricewaterhouseCoopers LLP, conducts an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditor has full and free access to financial management of the Nova Scotia Farm Loan Board and meet when required.

On behalf of the Nova Scotia Farm Loan Board

Cheryl Burgess

Cheryl Burgess, CEO

A. Park

Arnold Park, Chairman

June 25, 2015

June 25, 2015

Independent Auditor's Report

To the Members of the Legislative Assembly; and
To the Minister of Agriculture

We have audited the accompanying financial statements of **Nova Scotia Farm Loan Board** (the "Board"), which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
710 Prince Street, PO Box 632, Truro, Nova Scotia, Canada B2N 5E5
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Nova Scotia Farm Loan Board

Statement of Financial Position

As at March 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Financial assets		
Accounts receivable (note 3)	21	20
Interest and other receivables, net (note 4)	2,689	2,486
Loans receivable (note 5)	168,474	166,574
Real estate held for resale, net (note 6)	2,162	2,463
	173,346	171,543
Liabilities		
Due to the Province of Nova Scotia	21	20
Advances from the Province of Nova Scotia (note 7)	173,651	171,849
	173,672	171,869
Net debt	(326)	(326)
Non-financial assets		
Real estate, net (note 8)	326	326
Accumulated surplus	–	–

Commitments (note 17)

Approved by the Board of Directors

Member

Member

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board

Statement of Operations and Accumulated Surplus (Deficit)

For the year ended March 31, 2015

(in thousands of dollars)

	(Unaudited) Budget 2015 $	Actual 2015 $	Actual 2014 $
Revenue			
Interest on loans	7,800	7,303	7,345
Loan processing and other fees (note 9)	375	258	422
Life insurance program revenue, net (note 13)	20	22	26
	8,195	7,583	7,793
Expenses			
Lending expenses (note 10)	7,654	7,648	7,516
Annual surplus (deficit) before distributions to (from) the Province of Nova Scotia	541	(65)	277
Distributions to (from) the Province of Nova Scotia	(541)	65	(277)
Annual surplus for the year and Accumulated surplus – Beginning and End of year	–	–	–

The accompanying notes are an integral part of these financial statements.

Nova Scotia Farm Loan Board

Statement of Cash Flows

For the year ended March 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Cash flows provided by (used in)		
Operating activities		
Annual surplus	–	–
Net charges (credits) to income not involving cash		
Increase in accounts receivable	(1)	(20)
Increase in interest and other receivables	(203)	(30)
Increase (decrease) in due to the Province of Nova Scotia – net	1	(1,091)
Valuation allowance for impaired loans (including real estate held for resale)	719	237
Loans written-off during the year	(996)	(810)
	(480)	(1,714)
Financing activities		
Advances from the Province of Nova Scotia – net	1,802	8,997
Increase in loans receivable (including real estate held for resale) – net	(1,322)	(8,472)
	480	525
Investing activities		
Decrease in real estate	–	78
Net change in restricted cash for the year	–	(1,111)
Restricted cash – Beginning of year	–	1,111
Restricted cash – End of year	–	–

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

1 Authority

Nova Scotia Farm Loan Board (the "Board") provides loans to the agriculture and forestry sector for farms operating in rural Nova Scotia.

The Board is a provincial agency and operates under the authority of the Agriculture and Rural Credit Act and the Forests Act (for timber loans).

Principal in loans outstanding is limited by regulation to $200 million. Maximum advances to be disbursed in any given year, are established through the annual budgeting process. For the year ended March 31, 2015, maximum new advances were $35 million, of which $25.5 million was advanced. The Board received loan principal repayments of $23 million during the year.

Loans in excess of $2 million and any loan write-offs require approval by Governor in Council.

2 Capital management

As an agency of the Province of Nova Scotia, the Board does not maintain its own capital. Operations are funded by capital contributions from the Province.

3 Significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with the Canadian public sector accounting standards (PSAS) as issued by the Canadian Accounting Standards Board.

Restricted cash and accounts receivable

The Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Accounts receivable reported consists of funds held by Sun Life Assurance Company of Canada in relation to the Board's Creditor Group Life Insurance Program. Previously the funds related to the Life Insurance Program were managed in a bank account maintained by the Board. During 2013 - 2014, the program was changed and these funds were remitted to the Province. $20 of accrued administrative fees reported in 2014 as restricted cash have been presented as accounts receivable (note 18).

Loans receivable

Loans receivable are the principal portion of loans outstanding, net of the valuation allowance for loan impairment.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

(in thousands of dollars)

3 Significant accounting policies (continued)

Valuation allowance for loan impairment

The valuation allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. The valuation allowance is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the remaining portfolio. These judgments are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities, as well as the Board policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The Board records a specific valuation allowance based on a loan-by-loan review. Impaired loans are valued at the lower of their recorded investment or the estimated net recoverable value of their underlying security.

In addition, the Board records a general valuation allowance for loans in the portfolio not assessed in the specific reserve. This is an estimate of incurred but unidentifiable losses based on a review of historic loan write-offs on an industry sector basis.

Real estate

Real estate acquired through foreclosure is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of the security held, less disposal costs.

Net operating costs incurred on real estate are added to the carrying value of the property. The related provision is used to adjust the carrying value to net recoverable value, resulting in inclusion of these costs in bad debt expenses if the carrying value exceeds net recoverable value.

The Board also holds land purchased under a Provincial "Landbank" program and under a Federal-Provincial "Agriculture and Rural Development Agreement" ("ARDA"). Both of these programs have ceased to exist; however, existing properties and leases continue with renewable five-year terms. Property acquired under these programs is valued at the lower of cost and recoverable amount. Lease clients are entitled to purchase the related property at its original purchase cost.

Revenue recognition

Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal interest is likely.

All loan related fees are reported as revenue in the period in which they were earned.

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

(in thousands of dollars)

3 Significant accounting policies (continued)

Financial instruments

The Board has adopted Handbook Section PS3450 "Financial Instruments" and is required to designate its financial instruments into one of the following two categories: (i) fair value; or (ii) cost or amortized cost. All of the Board's financial instruments are measured at amortized cost using the effective interest method.

The Board's financial instruments consist of restricted cash, accrued interest and other accounts receivable, loans receivable and real estate and are measured at amortized cost using the effective interest method. Transaction costs related to loans are recorded as part of the total amount outstanding.

Management estimates

Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, as described further in note 5, these estimates are subject to measurement uncertainty and any changes in those estimates could have an impact on the results of future period financial statements.

Remeasurement gains and losses

Under PSAS, the Board is required to present a statement of remeasurement gains and losses. As the Board has no remeasurement gains and losses, a statement of remeasurement gains and losses has not been presented.

4 Interest and other receivables, net

	2015 $	2014 $
Interest receivable	1,404	1,643
Accrued interest	1,780	1,262
Other charges	131	116
	3,315	3,021
Less: Valuation allowance for interest on impaired loans	459	398
Valuation allowance for interest on real estate	167	137
	2,689	2,486

(in thousands of dollars)

5 Loans receivable

a) Loans receivable, net

The following schedule sets out the scheduled maturities of the financial assets as at March 31, 2015, together with the weighted average interest rates being earned on the financial assets.

				2015	2014
Performing loans	**Under 1 year $**	**1 – 5 years $**	**Over 5 years $**	**Total $**	**Total $**
Farm loans	21,238	71,611	56,930	149,779	147,737
Timber loans	20	64	–	84	268
	21,258	71,675	56,930	149,863	148,005
Average effective annual interest rate	4.1%	4.0%	3.8%		
Add: Impaired loans				26,289	26,305
Total loans				176,152	174,310
Less: Valuation allowance for loan impairment				(7,678)	(7,736)
				168,474	166,574

b) Allowance for impaired loans

Loans are considered impaired when they are risk rated as substandard or worse or when the loan is more than 90 days in arrears at year-end and there is insufficient collateral security valued at forced sale to cover the balance outstanding. The allowance is comprised of two components, the specific allowance for individually identified impaired loans and a general allowance for impaired loans.

The specific allowance for individually identified impaired loans was established based upon a review of a large sample of impaired loans. Primary factors considered in estimating the specific allowance on individual loans were the security pledged and the financial condition of the borrower and/or, where applicable, guarantors.

The general allowance for impaired loans is management's best estimate of the loss that is likely to be experienced on impaired loans that were not known to be impaired at the year-end. The general allowance was determined based on management's judgment and recent experience by calculating the average estimated historical loss ratio by loan type and then applying these ratios to the current portfolio of unimpaired loans.

(in thousands of dollars)

5 Loans receivable (continued)

b) Allowance for impaired loans (continued)

	2015		2014	
	Impaired loans $	Allowance for impairment $	Impaired loans $	Allowance for impairment $
Specific allowance	26,289	7,086	26,305	7,186
General allowance	–	592	–	550
	26,289	7,678	26,305	7,736

Significant judgment was exercised by management in making these estimates. As such, actual losses that occur on loans outstanding at March 31, 2015 will differ from these estimates and the differences could be material. Management estimates that the actual realization of impaired loans could result in significant variance from the estimated amounts.

c) Continuity of allowance for impaired loans

	2015 $	2014 $
Allowance for impaired loans – Beginning of year	8,134	8,751
Other adjustments	–	(2)
Add: Valuation allowance for impaired loans	3	(615)
Allowance for impaired loans – End of year	8,137	8,134
Valuation allowance on principal	7,678	7,736
Valuation allowance on interest	459	398
	8,137	8,134

(in thousands of dollars)

5 Loans receivable (continued)

d) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they either (i) have a strong risk rating; (ii) have an arrears amount less than $1; or (iii) are fully secured and collection efforts are reasonably expected to result in repayment. Loans that are past due but not impaired are as follows:

	1-30 days $	31-60 days $	61-90 days $	91 or more days $	2015 $	2014 $
Farm loans	2,180	1,067	1,093	5,082	9,422	11,299

6 Real estate held for resale

a) Real estate held for resale, net

The assets held for sale, comprising land, buildings and equipment, have been written-down to estimated recoverable value. Recoverable value was estimated by management, utilizing external appraisals for the land and buildings, based on the expected selling prices, net of estimated closing costs.

Real estate held for resale has been written down from the original loan amounts as follows:

	2015 $	2014 $
Original funds advanced	4,398	4,719
Less: Valuation allowance for real estate	(2,236)	(2,256)
Real estate held for sale	2,162	2,463

Included in real estate loans due to foreclosure proceedings is a loan to the Nova Scotia Provincial Exhibition in the amount of approximately $340. In management's assessment of the allowance for impairment related to this loan, they have considered the value of the related security and the current management of this operation as directed by the Department of Agriculture. As a result of these considerations, management has determined that a provision for this loan amount is not required.

(in thousands of dollars)

6 Real estate held for resale (continued)

b) Allowance for real estate

	2015 $	2014 $
Allowance for real estate – Beginning of year	2,393	2,113
Valuation allowance for real estate	716	852
Provision for changes in restructured loans	290	238
Less: Real estate written off	(996)	(810)
Allowance for real estate – End of year	2,403	2,393
Valuation allowance on principal	2,236	2,256
Valuation allowance on interest	167	137
	2,403	2,393

7 Advances from the Province of Nova Scotia

Advances are provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest expense is calculated in accordance with a Memorandum of Understanding with the Nova Scotia Department of Finance (note 11).

8 Real estate, net

	2015 $	2014 $
Real estate held for long-term use		
Land bank	238	238
Agriculture and Rural Development Agreement	12	12
Property used by Nova Scotia Agricultural College and Community Pastures	76	76
	326	326

(in thousands of dollars)

9 Loan processing and other fees

	2015 $	2014 $
Fees and other charges	207	389
Cost recoveries	51	33
	258	422

10 Lending expenses

	2015 $	2014 $
Interest (note 11)	5,385	5,771
Payroll	1,301	1,174
Bad debt (note 12)	719	237
Supplies and services	100	137
Travel	49	53
Professional services/special services	56	114
Training and development	9	9
Equipment and other	29	21
	7,648	7,516

11 Interest expense

Since April 1, 1998, a Memorandum of Understanding ("MOU") between the Board and the Nova Scotia Department of Finance has formalized the Board's funding arrangement. Under the MOU arrangement, the Board estimates projected lending requirements on a quarterly basis. The Nova Scotia Department of Finance arranges the requested financing for terms requested and provides this financing to the Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Board's investment in loans receivable and in real estate. The Board tracks the draws arranged with the Nova Scotia Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

(in thousands of dollars)

12 Bad debt expense

	2015 $	2014 $
Bad debt expense (recovery) includes:		
Valuation allowance for impaired loans	3	(615)
Write-down of real estate held for resale	716	852
	719	237

13 Financial instruments and risk management

(i) Fair value of financial instruments

The Board is exposed to financial risk that arises from the credit quality of the individuals and entities to which it provides loan services. Credit risk arises from the possibility that the individuals and entities to which the Board provides loan services may experience financial difficulty and be unable to fulfill their obligations.

The Board has recorded a valuation allowance for potential credit losses after an extensive review of the loan portfolio by management. Due to the number of factors which would affect the fair value of the loan portfolio, including the credit rating of the borrower and the related risk premium, interest rates and valuation of the security; it is not practical to determine the fair value of this financial asset with sufficient reliability.

(ii) Risk management

Credit risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments, due to cyclical industry or other temporary difficulties, it is the Board's policy to work with the client on an individual basis to provide time for recovery.

The total of loans receivable at March 31, 2015 is $176,152 (2014 - $174,310). The majority of loans are secured primarily by real property using mortgage or Agreement of Sale (providing rights similar to a mortgage). Dairy and poultry loans are generally also secured by an irrevocable assignment of production quota. Collateral security may also be provided by equipment, livestock or chattels. It is not practical to determine the maximum exposure to credit risk due to the cost associated in determining the fair value of security and collateral security on unimpaired loans.

(in thousands of dollars)

13 Financial instruments and risk management (continued)

(ii) Risk management (continued)

Credit risk (continued)

All clients are involved in agriculture in Nova Scotia. Involvement in processing is limited to on-farm processing. Regulations provide that loans must not exceed 90% of security value without approval by the Board. Collateral held for security is assigned a value by the loan officer considering the loan based on known transactions of similar property, with additional information provided by property assessments and external assessments, where available.

The Board adjusts the valuation allowance for impairment to recognize management's estimate of recoveries on impaired accounts. Impairment is primarily identified by review of arrears, refinanced loans and accounts in sectors experiencing difficulty. A total of $1,098 (2014 - $1,703) was issued in refinanced loans during 2014 - 2015 to clients with significant arrears.

Liquidity risk

The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on spending authority as identified in note 1.

Interest rate risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5-year full optional repayments.

Life insurance risk

The Board requires borrowers to participate in a group life insurance program unless the borrower has arranged alternative life insurance coverage. Prior to April 1, 2012, the net annual gain or loss under contract with the insurance provider (premium revenue less the cost of life insurance claims) to a maximum of $250 on any claim, plus administrative costs, were costs or revenues of the Board. Effective April 1, 2012, the Board has transferred responsibility for insurance program collection, payment and any surplus or loss to the insurance carrier.

(in thousands of dollars)

14 Government contributions

Expenses for the year ended March 31, 2015, were paid by the Department of Agriculture on behalf of the Board. Interest expense on funds borrowed to make loans is an expense of the Nova Scotia Department of Finance. Accordingly, these expenses are included in Government Contributions in the Statement of Operations.

15 Related party transactions

The Board is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (see note 1). Transactions with provincial entities were entered into in the normal course of business.

The Province of Nova Scotia pays certain expenses, including salaries and benefits, rent, travel, professional fees and miscellaneous office expenses, on behalf of the Board with no charge to the Board.

16 Pension and post-retirement benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Public Service Superannuation Plan Trustee Inc. and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the pension plan. It is not anticipated that any such future costs would be allocated to the Board.

17 Commitments

The Board will hold interest rates for ninety days for any client from the date of loan approved. As of March 31, 2015, the Board has authorized loans of $10.5 million which had not been disbursed.

Measuring Our Performance

The following sections provide results of performance measures identified in the Board's Business Plan for 2014-2015.

Core Business Area I: Lending

This is the primary focus of the Board. Although lending activities address all three of the strategic goals, lending most directly bears upon ensuring access to stable, cost effective long-term developmental credit. The following measures provide an indication of the Board's success in pursuit of this goal:

Measure I-1: Total loans advanced. Fiscal year (April 1 - March 31) measure.

What this measure tells us:

By measuring the value of new loan advances, an indication of the requirement for Board lending is evaluated.

Where we are now:

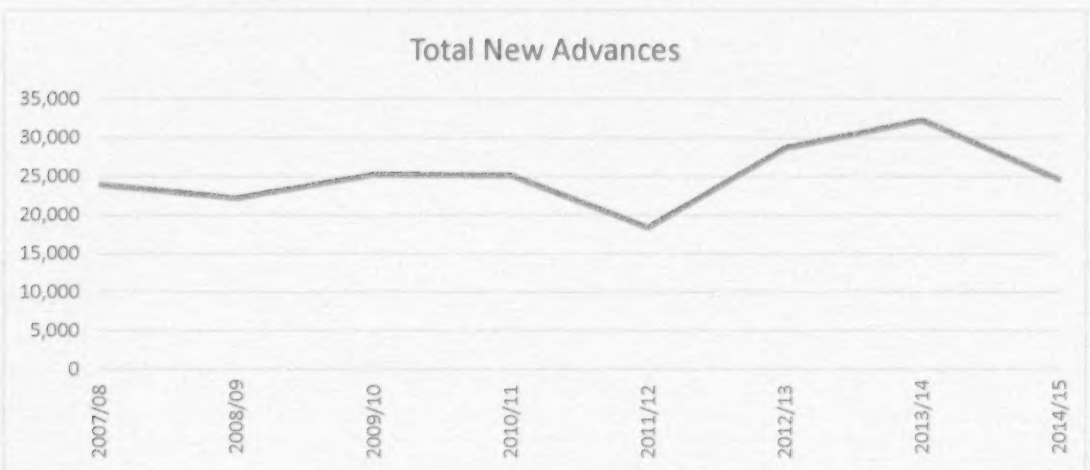
Base year:	2011-12:	$21.1M
	2013-14:	$31.1M
	2014-15:	$25.5M

Interest margin remained low due to a number of impaired accounts.

Where do we want to be?

Target 2014-2015: $30M

Requirement for loan funds has fluctuated from year to year. The board ended the year with $10.5 million in loan commitments for 2015-16.



Measure I-2: Successful Clients - Arrears (>$100) as a percent of the value of all accounts
Measured at end of fiscal year (March 31)

What this measure tells us:

This measure provides an indication of Client Success overall. It also measures the performance of the Board's policies and procedures for monitoring arrears and assisting clients in difficulty. Arrears as measured at March 31 of each year.

Use of this measure requires balance. Strict limitation of arrears conflicts with the intent of the Board to act as a patient lender for clients and sectors facing cyclical or other temporary downturns.

Where we are now:

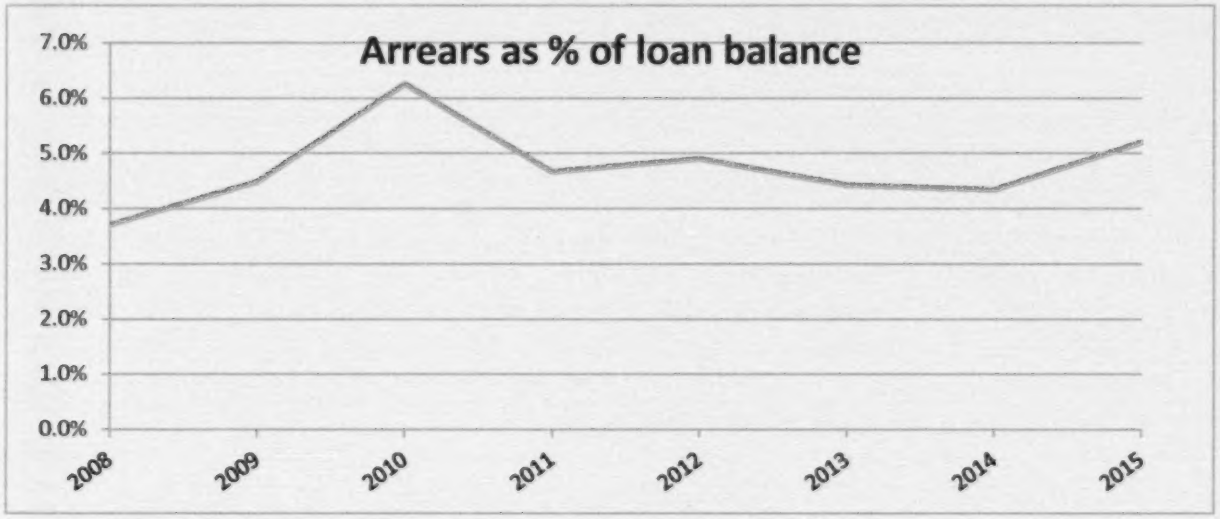
Base:	March 2007:	3.7% including default account arrears
	March 2014:	4.3%
	March 2015:	5.2%

The fur and greenhouse sectors show higher arrears reflecting reduced mink prices. Board staff are working to improve outstanding arrears.

Where do we want to be?

Target Mar 2015: 4.3% or less on all accounts

High levels of arrears are a concern to the Board and client. Client contact and arrears follow-up are being pursued to ensure delinquent accounts are brought up to date where possible. At the same time the Board continues to recognize the difficulty faced by some sectors and work with borrowers for the best long term resolution even if that does not result in an immediate reduction in arrears.



Client satisfaction based on client surveys

What this measure tells us:

This measure provides the client's view of services provided and may identify areas for improvement.

Where we are now:

Percentage Good to Excellent:

Base year: 2000-01: 92%
2012-13: 100%
2013-14: 91%
2014-15: 93%

Where do we want to be?

Target 2014-2015: 90% or above

Core Business Area II: Programs Administration

The Board administers loan-based assistance programs on behalf of the Department of Agriculture allowing it to take advantage of systems and information already in place to deliver programs efficiently and to support credit based goals of the Board.

Measure II-1: Number of approved applications to the New Entrant / FarmNEXT Programs

What this measure tells us:

This measure indicates the relevance of the program by measuring take-up by qualified applicants.

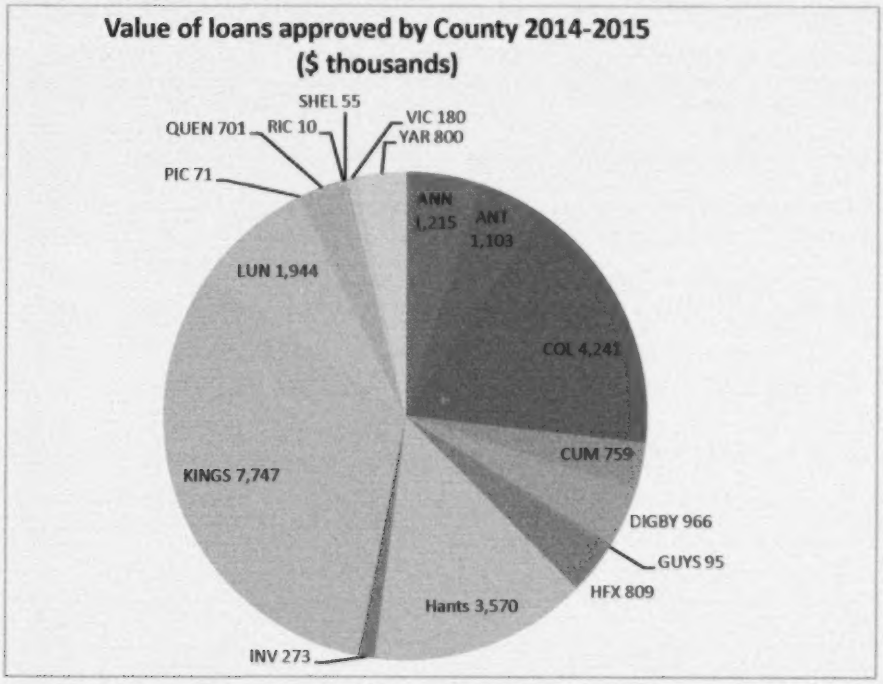
Where we are now:

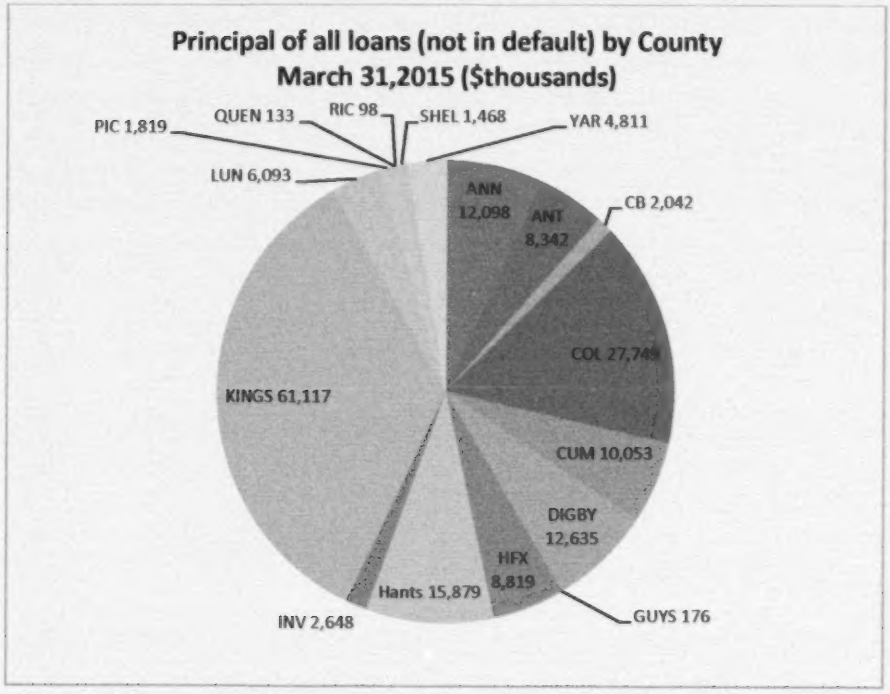
Base year:	2000-01:	48
	2012-13:	19 Funding divided between clean-up of final grants remaining under the New Entrant program and new funds for FarmNext applicants.
	2013-14:	14
	2014-15:	16

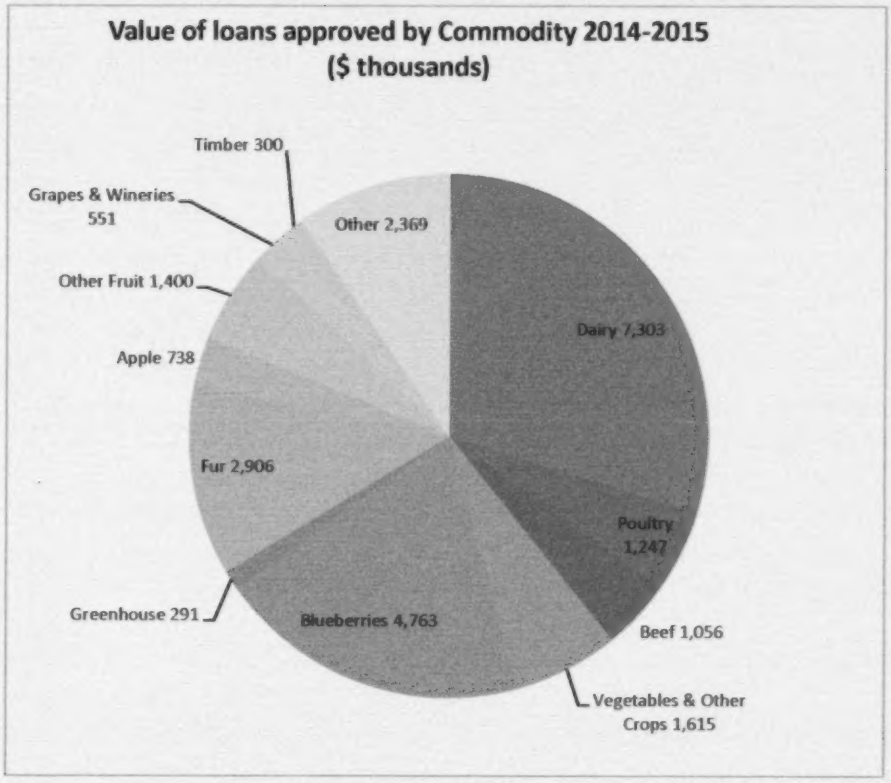
Where do we want to be?

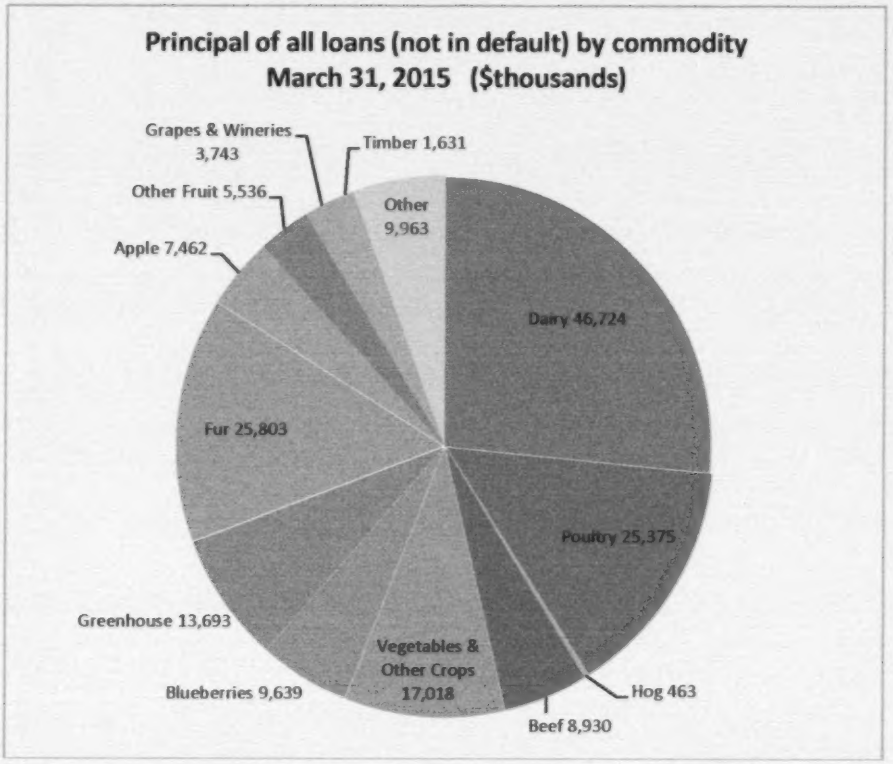
Target calendar 2014-15: 20-25

Approvals are limited by the number of valid FarmNEXT applications received.


Value of loans approved by County 2014-2015
($ thousands)
SHEL 55
QUEN 701
RIC 10
VIC 180
YAR 800
PIC 71
ANN
1,215
ANT
1,103
LUN 1,944
COL 4,241
CUM 759
KINGS 7,747
DIGBY 966
GUYS 95
HFX 809
Hants 3,570
INV 273


Principal of all loans (not in default) by County
March 31,2015 ($thousands)
PIC 1,819
QUEN 133
RIC 98
SHEL 1,468
YAR 4,811
LUN 6,093
ANN
12,098
ANT
8,342
CB 2,042
COL 27,749
KINGS 61,117
CUM 10,053
DIGBY
12,635
HFX
8,819
Hants 15,879
GUYS 176
INV 2,648


Value of loans approved by Commodity 2014-2015
($ thousands)
Timber 300
Grapes & Wineries 551
Other 2,369
Other Fruit 1,400
Dairy 7,303
Apple 738
Fur 2,906
Poultry 1,247
Greenhouse 291
Blueberries 4,763
Beef 1,056
Vegetables & Other Crops 1,615


Principal of all loans (not in default) by commodity
March 31, 2015 ($thousands)
Grapes & Wineries 3,743
Timber 1,631
Other Fruit 5,536
Other 9,963
Apple 7,462
Dairy 46,724
Fur 25,803
Poultry 25,375
Greenhouse 13,693
Vegetables & Other Crops 17,018
Hog 463
Blueberries 9,639
Beef 8,930